

News Release



Controller of the State of California - Kathleen Connell

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FOR IMMEDIATE RELEASE

CONNELL PAYMENT ACTION CLEARS WAY TO BUDGET SOLUTION

CONTROLLER PAYS 205,000 EMPLOYEES AMID THREAT OF LAWSUIT

SACRAMENTO, July 30, 1997 -- State Controller Kathleen Connell announced today that she is prepared to pay the \$1.36 billion judgment against the State by the California Public Employees' Retirement System (CalPERS) as requested by the Governor. Connell stated that payment would be made immediately upon receipt from the Department of Finance of a certification that there exists a sufficient appropriation from which the payment can be made.

"I'm making the payment because it represents the only opportunity to resolve an extended and costly budget debacle which ground small businesses to a halt and sacrificed hard-earned paychecks due to Sacramento back room politics," Connell stated.

The Controller noted that it was the Governor's short-sighted decision to raid the public pension fund as a "quick fix" to the State's budgetary crisis in 1992. "I hope the Governor learned from his costly mistake -- that failure to pay public pension funds -- is neither appropriate nor legal. My action today will assure that state retirees are no longer political chips in the budget debate. In addition, the decision to pay the CalPERS lawsuit provides an avenue for ending an exhaustive and expensive budget stalemate that has left thousands of small vendors unpaid."

She also announced her decision to pay 205,000 state employees citing the Fair Labor Standards Act (FLSA) which was determined to be applicable to the State in the Biggs v. Wilson case in 1993. Connell's decision occurs the day after a lawsuit was filed against her and other constitutional officers attempting to prevent payment of state employees. "It's immoral to hold employees as hostage to the political agendas of the Governor and Legislature. They are like any other worker that puts in a forty-hour week and deserves a paycheck."

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Emphasizing that failure to pay state employees would result in immediate lawsuits filed by labor unions which would likely result in liquidated damages, Connell stated: "It would be fiscally imprudent to require the taxpayers to bear the burden of court-ordered double damages resulting from poker game politics. I refuse to allow workers and their families to be victimized by the irresponsible political posturing of this Governor and Legislature."

The Controller proposed a comprehensive restructuring of budget procedures based on the innovative concept of a two-year budget cycle and an abbreviated legislative session in alternative years. "Budget discipline will only be achieved by shortening legislative calendars, imposing strict time deadlines, and inflicting real financial penalties when the Legislature and Governor fail to perform. Such a structure will vanquish the 'Big 5' and return to a proven legislative committee system that empowers each member of the Legislature and holds them accountable. Importantly, Legislators will respect the bottom line, a balanced budget by June 30."

Connell's plan includes adoption of a two-year balanced budget that must be approved by a simple majority of legislators, instead of the current barrier of a two-thirds vote. Furthermore, the plan would impose new deadlines on the Legislature and the Governor: May 15 for the Legislature's final passage of a budget; June 30 for the Governor to enact it. Failure to meet these deadlines would result in forfeiture of salaries and per diem, and pro-rata reductions of Legislative and Gubernatorial budgets. Connell concluded, "When businesses suffer, so must the elected leaders who have shunned their budget responsibilities."

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